

WASHINGTON STATE ROAD USAGE CHARGE

STEERING COMMITTEE

Meeting Notes | October 1, 2015

ATTENDEES

Steering Committee Members

Chair Joe Tortorelli, WSTC Commissioner
Anne Haley, WSTC Commissioner
Roy Jennings, WSTC Commissioner
Representative Judy Clibborn
Representative Linda Kochmar
Representative Ed Orcutt
Senator Ann Rivers
Senator Steve Hobbs
Curt Augustine, Alliance of Automobile Manufacturers
Rod Brown, Jr., Cascadia Law Group PLLC
Tonia Buell, WSDOT
Don Gerend, City of Sammamish Councilmember
Tom Hingson, Everett Transit
Pat Kohler, Department of Licensing
Scott Merriman, Office of the Washington State Treasurer
Sharon Nelson, WSTC
Janet Ray, AAA Washington
Frank Riordan, Becker Trucking

James Thompson, Washington Public Ports Association

Ted Trepanier, INRIX

Brian Ziegler, Pierce County Public Works

WSTC Staff

Reema Griffith, WSTC Executive Director

Consultants

Paula Hammond, WSP | Parsons Brinckerhoff

Brent Baker, WSP | Parsons Brinckerhoff

Jeff Doyle, D'Artagnan Consulting

Travis Dunn, D'Artagnan Consulting

Jack Opiola, D'Artagnan Consulting

Allegra Calder, BERK Consulting

Montana James, BERK Consulting

Other Presenters

Jim Whitty, Oregon Department of Transportation

Carley Francis, Oregon Department of Transportation

NOTE: As presentation materials are available on the Washington State Road Usage Charge website (<https://waroadusagecharge.wordpress.com/materials/>), this meeting summary focuses on the discussion and not the presentation content. *Italics* reflect comments or questions from the Steering Committee while bullets denote consultant team or presenter responses.

Welcome and Introductions

Anne Haley, Chair of the Washington State Transportation Commission (WSTC), welcomed the group and made introductory remarks on the task of the Commission and the Steering Committee. Committee members introduced themselves around the room. Joe Tortorelli, Steering Committee Chair, then reviewed the purpose of the meeting and overviewed the agenda.

Overview of 2015 Road Usage Charge (RUC) Work Plan

Paula Hammond provided an overview of the Legislative Proviso, the 2015 work plan for the Commission, and discussed revenue options and the potential of federal funding. She then provided an overview of the Steering Committee interviews that were conducted in advance of the October 1 meeting. She reviewed the general attitudes of the Committee members and the top policy issues on their minds in advance of this meeting.

Discussion

Could a representative of the legislature give us a quick overview of the current mood at the legislature regarding this issue and the next session?

Representative Judy Clibborn note that the frustration felt by some that the RUC demo project proposed last year was not funded by the legislature is recognized, however this is a challenging situation. Getting funding for a RUC at a time when the transportation package finally passed was very difficult. Things take a long time at the legislature; that is just how it is. It doesn't mean this issue isn't important; it just means things move slowly. The work that needs to be done by this body is to bring the legislature along to understanding that this is an important issue. We must bust the myths around this issue and try to change minds at the legislature to make sure people understand that there is a way to transition. Producing a road map for the RUC after these two meetings will be really important to bringing people along.

Update on State and Federal Transportation Funding and Related Policy Initiatives

Paula Hammond provided an update on the federal and state transportation funding situation. She highlighted the 2015-2031 Connecting Washington package (\$16.2 billion).

Brent Baker provided an update on tolling initiatives locally and around the state in the context of RUC. This overview focused on understanding the state of tolling as RUC and tolling distinctions may blur in the future. Brent reviewed the Puget Sound Regional Council's (PSRC) transportation planning efforts, noting two key assumptions of the Transportation 2040 plan, first that the state will transition to statewide road usage charging and second, that most controlled access highways will be toll roads.

Allegra Calder presented an overview of the update of the Washington Transportation Plan 2035. She reviewed the emphasis of the plan on improving the financial health of Washington's transportation system, enhancing existing revenues, and continued evaluation of road usage charges.

Discussion

Electric car owners have faced a 51% fee increase and the gas tax only increased 31%. It is frustrating that, when we are trying to convert the fleet, we are dinging electric car owners and disincentivizing electric car ownership.

- The electric vehicle fee also needs to pay for charging stations, so that has to be considered as well; it will have to be higher for that reason.

Pay attention to municipal bonds and their tax exemptions. If tax exemptions go away, the funding structure will be different.

The Transportation Future Fund did receive some funding in the 2015 transportation package. This involves funding for "practical design" to ensure future efficiencies and cost savings. Since we passed our transportation package, other states have been curious as to how we did it. Many other states are using general funds and even sales tax in addition to gas tax to fund roads.

In general, the public is feeling the proliferation of taxes, but is confused about where their tax dollars are going. Providing clarity on what this funding is for will be very important in our RUC efforts. It is our responsibility to earn

back the confidence of the public and give good, clear information regarding a RUC. We have to bring them along on the issue and do really good outreach and education.

- Australia is looking at a single tax based on usage. The taxes are combined into one cost allocation, focusing on the simplification of the taxes rather than proliferation of new fees.

We need to discuss Transportation 2040 and its implications for the state RUC work. We have not talked about shared gas taxes and we should. Has the PSRC discussed the cost of collection in their research? This would be an important consideration in these discussions.

- No, PSRC is still in an exploratory phase of a regional RUC and has not gotten into the details.

Road Use Charging Developments in other States and Countries

Jeff Doyle provided a summary of RUC developments around the United States. He reviewed Oregon's road usage charge program and also highlighted California's, noting that the California authorization includes a statewide pilot program and intends to replace existing fuel tax revenue in the future. California's pilot has been expedited and should be completed by the end of 2017.

Jeff summarized Wisconsin Transportation Finance and Policy Commission's mileage-based registration fee concept, which was proposed as part of a 10-year transportation funding package in 2013, but no action was taken. Finally, Jeff reviewed the Western RUC Consortium (WRUCC), its purpose, and the completed and planned projects.

Jack Opiola noted that the European Union has tended to focus on charges for heavy vehicles first, followed by an expansion to lighter vehicles. European governments are having discussions around the fuel tax being unsustainable as they are seeing the same trends that we are with fewer vehicles being registered, fewer vehicles driving, and fuel tax revenues reducing dramatically.

Jack provided an in-depth look at Hungary's Hu-Go program and also provided an update on British Columbia's limited progress on road usage charging, which has been limited. He provided an overview of New Zealand's road usage charging system, noting that it transitioned to an electronic system in 2009 after operating as a paper-based system since 1978. Jack then updated the group on Australia's work in the past decade to study a road usage charge. In 2015 the Commonwealth government funded a road usage charge in Western Australia for heavy vehicles.

Discussion

With so many different options in California and a relatively small sample size of participants, how will they get a good proof of concept or figure out the best option? Some are more affordable and accessible to lower income levels than others. Some are actually restrictive for older users or lower income people. It would be good to know how they set the rate for the standard number of miles driven for the pay up front model.

Why is California using such a small sample size of participants for their demonstration project?

- More participants is more expensive. The participants were chosen carefully to ensure the sample demographics would provide statistically meaningful data.

How does New Zealand's rate design cost allocation model work?

- They have a very sophisticated model that has been vetted heavily with industry. The costs for maintenance and repair are taken into account and they simplify the cost of the property.

What do you mean by "marginal social costs" in relation to these models?

- This refers to the cost of your vehicle on the road and its costs to others.

Department of Licensing (DOL) IT Modernization for Vehicle Systems and OReGo

DOL's IT Modernization for Vehicle Systems

Pat Kohler provided an update on the vehicle licensing system and subagents around the state. She noted that the current systems would be unable to support a RUC. DOL is implementing large-scale initiatives to modernize their business processes and technologies in order to better function in the wake of new demands and revenue systems. Pat noted several challenges with RUC, from the DOL perspective, but noted that the modernization project will enable them to better adapt to a RUC system.

Discussion

Are California or Oregon using similar technology to what you are working on implementing at DOL?

- California started a similar process in recent years but it stalled and failed. They are starting over again. Oregon is in the requirement stage, which means they are behind us since we have selected a vendor.

Will the new system be able to handle odometer readings? What would implementation of a system like they are considering in Wisconsin be like? Would it be easier?

- Wisconsin's model could potentially be easier, but it gets costly when you start looking into confirming reported mileage. Enforcement and tracking down fraud can end up being expensive and difficult.

This group needs to start thinking about RUC implementation and whether we would go through a private vendor for account managers and how that would function with existing infrastructure.

What are your thoughts on utilization of some type of app where the user submits their mileage and DOL accepts it and charges from there.

- That could get complicated in the details, but yes that seems like a potential use.

Will your new DOL system be functional and ready to use in the event we do a pilot on RUC? Would it require a lot more work with your vendor? Is it limited in what it could test?

- The technology has the ability to look at different funding models and respond to them. It will be able to interface with a variety of third party models. DOL can identify through testing what the needs are, and then work with the vendor to tailor the system to our specific needs.

OReGo

Jim Whitty and Carley Francis of Oregon's Department of Transportation (ODOT) gave an overview of the OReGo program's history and current status. Jim noted that on October 20, 2015 the first round of reports from the private account managers will be due to ODOT along with the first round of payment. Jim then reviewed the OReGo website, registration process, account manager options available to Oregon drivers, and the interface used by current enrollees in the program.

Carley provided an overview of the Azuga account manager option (which is the private option, versus the ODOT option), noting that an important element of this account manager is that the onus is on Azuga to pay the state based on reported miles driven. She also explained the difference between the Azuga model of building a RUC system based on creating a relationship with consumers and the Verizon model, using an existing relationship and layering on RUC coding.

Discussion

What privacy issues or challenges did you consider with the OReGo system?

- There are privacy supports built into the system. Those in the chain of custody of information for the system are not allowed to reveal that information, and face penalties if they do. ODOT added additional rulemaking to improve upon the privacy components of the system. The ACLU was involved in writing this at the legislature, so they ensured additional privacy considerations are included in the statute.

How did you select account manager options for your pilot?

- We set initial guidelines and requirements and did an open bid process. The managers selected bid on an operational percentage of RUC, and set a market rate of compensation based on the size of the test group.

What are the cost differences between your different account managers?

- For our two private account managers (Verizon and Azuga) the cost is 40% of the gross RUC fee. For the one we manage, we pay all costs for collection. Costs are anticipated to decrease over time with more users. At around 4 million users, costs should be about 4% of the total collected fee. The system is then more flexible and can interface with other services, so that helps reduce costs.

In terms of privacy, what information about users do the government agencies actually collect and see?

- The government sees aggregate mileage by day, categorized by in state or out of state miles, and information about fuel consumption. One benefit of out-sourcing account management is that it clearly communicates that we don't get any data beyond what is reported to us.

How many users do you have under each option?

- We have 900 current participants in this pilot and we have a 5,000 participant cap. Azuga has actively marketed and recruited participants and is the most heavily subscribed. The ODOT option has about 28% of users. Verizon is only available to their in-drive customers in Oregon so they have the smallest share.

If you use Azuga does it automatically reload your wallet when you are out of funds?

- You can program it to do automatic replenishment, but you don't have to. Users opt in to that function.

At what number of vehicles do the admin costs decline?

- We have worked a lot on scalability; we have a financial model to predict system costs at various points in time. When you have just 5,000 to 10,000 users, you are facing a loss. When you get up around 100,000 users you start to earn revenue. At 1 million or more your administrative costs are about 10%.

Could you share your model and assumptions with us?

- We could, but it is out of date even for Oregon, and none of it would really apply to Washington so it wouldn't be helpful to you.

Why don't you have an annual fee option in this pilot?

- We had it in the second pilot, but for this volunteer program it didn't seem like we needed it; but it will likely show up once we have implement a program.

How did you recruit for this pilot?

- We sought geographic diversity for our enrollees and we have limitations by vehicle types; for example, we cap participation for vehicles that get fewer than 17 mpg at 1,500.

- Right now, our participants tend to be in urban areas and the eastern part of the state is not well represented. We have no enrollees right now in the far east and southeast. Our next steps include a targeted campaign to get more enrollees from the southeast of Oregon.
- We did do some marketing at the kick off of the campaign. We have not spent a lot of money on media, but we ran some radio ads. We set up an interest list and developed that through the brand development process. There have been local news stories on the pilot and Azuga did a lot of their own marketing. We are currently working on doing DMV inserts; working to capitalize on existing relationships.

Updating RUC Business Case Analysis

Travis Dunn provided an update on the business case analysis, noting the changes related to the transportation revenue package and the potential to do further analysis on larger vehicles in light of new CAFE standard for trucks. Travis then reviewed some updated approaches for the business case.

Discussion

Are you considering a straight government run system for cost estimates, or private sector models?

- We are only looking at government models due to previous guidance from the Committee; to introduce private partners, we would need an illustrated cost reduction.

Could we also get an estimate of total net revenue?

- Yes, at the very minimum we would provide this as a footnote in the analysis.
- The MPG has been so flat for so long, but with technology advances it is quickly increasing. We are talking about the fleet as a whole; we must consider that cars are selling at high rates and many have higher MPG than this analysis considers. It also doesn't consider the uptick in ownership of electric vehicles.

What are the statistics on fleet turnover on average? How long do people own cars?

- The Washington state trend is a bit slower than national, but about 8% of the total fleet per year are new vehicles. Cars stay in the fleet for about 11 years on average, nationally.

Travis sought specific feedback from the Committee members regarding four assumptions that feed into the model. Those questions and the Committee's responses are below.

We assume a RUC Rate at a revenue neutral 2.5 cents; do we want to continue with this assumption?

If California or Oregon are using different models and pricing, will this present interoperability challenges? We should explore this.

- Oregon is using 1.5 cents revenue; California has not established a price system yet. The rate is not a barrier to interoperability due to technology systems where you are billed for miles driven at different rates; however if we are not using an electronic system for some reason, this could present a challenge.
- Some states are exploring what's called the "Mileage Message;" this would ensure interoperability between states.

At AAA we have reciprocal agreements with other states; there are models for how to do this with reciprocal systems; it may sound complex, but it can be done.

We may need an appendix to the report and model that describes what 'net revenue' means.

Everyone on the Committee voted to use the revenue neutral 2.5 cents. In considering the gas tax alongside the RUC, do we want to assume the gas tax rate will be increased 1.5 cents each year? Or do we assume it remains unchanged?

The Committee would like to see the actual dollar amounts shown and to see all three options shown in the analysis (no gas tax increase; a gas tax increase of 1.5 cents per year; a gas tax increase that mirrors historical increases which have been more erratic).

What are we getting now in actual revenue as opposed to if we had RUC revenue? We need a real comparison.

- Noted. All trend lines will be net of administrative costs.

What key assumptions should we make to tighten our estimates in this model of a RUC system in Washington?

- NOTE: these are not policy choices or directions; simply for modeling purposes.

Look at a mixture of both commercial and public account management options, similar to Oregon. We want to be able to evaluate both cost and customer acceptance.

What do we want to assume in our model about the fuel tax bonds?

Assume that no driver pays both fuel tax and RUC.

Review of Unresolved RUC Legal, Operational, and Policy Issues and Approaches Taken in Other Jurisdictions

Paula Hammond and Jeff Doyle reviewed the outstanding policy, legal, and operational issues and commented on how some states have addressed the issues.

Discussion

If you have a GPS device on a ferry, are you paying for miles on RUC?

- The device reads vibrations and calculates based on the speed of the vehicle actually moving, not just on GPS readings of miles, so the answer is no.

We will have to simplify and coordinate the various taxes. How do we de-layer all of the taxes? Also, the 18th amendment [of the Washington State Constitution] issue calls to a legal question but also a financial question. These are things we must explore.

Discussion of Priority Policies to be Addressed in 2015-16

Paula Hammond introduced this discussion with some filters for prioritizing and discussing the top five policy issues. Paula noted some emergent opportunities, including being ready for a federally funded pilot program and multi-state or other partnering opportunities.

Discussion

Leveraging Other Work

The Western Road Usage Charge Consortium (WRUCC) is doing a lot of work to iron out these and other policy issues and it has a communication team and website. We should leverage their work and use that as an additional lens to look at which policy issues rise to the top. Messaging coordination is key to the consortium's success.

We need to be opportunistic because the whole point of the Legislature's direction was to see what was going on in other states. We need to be ready to go if federal agencies want to do something with multiple states. There is money in the Commission's budget to do surveys. Let's come up with an idea of how to move forward; other states are in front of this issue, so we need to get out there too. I would like to hear a strategy on how we begin our public outreach. But we need to be in control of it, so we need a plan.

WSTC has been getting calls for presentations and we do a lot of speaking engagements, so it is good to know we can start engaging on this issue and create a plan going forward. We haven't done a communications plan since our first year. But people are noticing that these conversations are happening.

In June we are having a tristate commission meeting where we will learn from Oregon and California. We are communicating actively with other states and have regular check in calls to learn from each other.

We need to get alignment with PSRC on their regional work first.

The western states need to think about what should be standardized and share tasks so we don't duplicate work.

A Communications Plan

We need alignment on the public education and communications plan. Some Committee members suggested that we need to keep quiet, to wait to see what Oregon and California are doing and not engage the public. But today we are hearing from members that we should talk about this, engage the public, and have a communications plan.

I think the challenge is to communicate that this is not new; it is not a new layer, it is a replacement. We need to refocus on the public education piece.

Focus on communicating with thought leaders. To help people understand, we need ambassadors; so let's focus on who we need to talk to first and what's the message, and then engage the public.

Pilot Program

There are some decisions we should delay until we have a pilot program, because our views might change based on what we find. That is the purpose of a pilot, to sort some of these things out. I think as we develop criteria, the pilot allows us to stay flexible and look at alternatives.

Either this is subject to the debt limit or it's not. Let's lay those two options out in detail.

We need to answer these questions: When does the buying power go away? What is the benefit of us running our own pilot? What will we learn from that versus being part of the Consortium?

When do we think we are going to implement an actual RUC? If we aren't going to implement for 10 years, does it make sense to do a pilot now? That should guide our schedule.

- We can ask Oregon and California when they are going to go live. We can get guidance there.

What is the end goal of a demonstration project? Are we trying to see if it will work? Or are we trying to convince the public to use it?

- I think we do have to define the objectives of the pilot, but we are wrestling with some key policy issues, so we need the pilot to get us data so we can make decisions on some of those key issues.

We can't just sit and wait to see what other states do. I would have a tough time selling a RUC to my neighbors up in Colville based on work done in another state without real examples from Washington.

I think the pilot is a way of giving ourselves a deadline, and it is essential to get the legislature to make a decision. They won't make a decision based on California or Oregon.

Washington Road Usage Charge Road Map

I like this idea of creating a road map for RUC. It gets to this question of when we will implement; and what it will take to get us to a demonstration project. A road map could include a communications plan. We need to lay out what we are going to do, and how are we going to fit all of these things in on a timeline.

Public Comment

Committee Chair Joe Tortorelli asked if there was any public comment. Doug Klunder of the ACLU of Washington provided a comment.

- It is disappointing to see that the only options they are testing in Oregon right now are those that utilize the OBD II port on vehicles. I would urge you to include other expanded options if you undertake a pilot in Washington. There appears to be some equation of privacy and GPS and this idea that with no GPS the privacy question is fixed is incorrect. Having daily mileage reports sent to a government agency is still pretty intrusive; why are daily mileage reports necessary?

Curt Augustine of the Alliance of Automobile Manufacturers noted:

- I appreciate the ACLU's comment, which raises an important topic about the OBD II port. These ports have the ability to gather a tremendous amount of information, which raises grave privacy concerns.

Next Steps and Adjourn

Paula Hammond reviewed the preliminary agenda items for the December 1 meeting and described next steps to the Committee. As a result of this meeting, a number of action items arose:

- D'Artagnan Consulting will send around more information about New Zealand's cost allocation model.
- The Department of Licensing will weigh in on the policy issues listed in this meeting's briefing booklet.
- The Office of the Treasurer will provide a memo laying out the possible ramifications of a RUC or even a RUC pilot on the bonds associated with the gas tax.
- The Commission and the consultant team will send an interim work product around in November for initial reactions before the December 1 meeting.